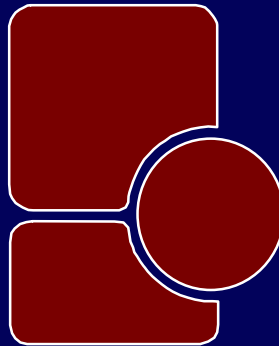


**Joint Legislative Audit and Review Commission
of the Virginia General Assembly**



**VRS Oversight:
2001 Semi-Annual Investment Report**

**JLARC Staff Briefing
July 9, 2001**

VRS Oversight Act

2

- Section 30-78 *et seq.* of the *Code of Virginia* requires JLARC to oversee and evaluate VRS on a continuing basis
- Areas for review and evaluation include:
 - Structure and governance
 - Actuarial policy and actuarial soundness
 - Administration and management
 - Investment practices, policies, and performance
 - Semi-annual investment report required

Semi-Annual Investment Report

3

- The market value of the fund's assets as of April 30, 2001 was \$38.2 billion
- The past year has been volatile for the equity markets, and VRS' one-year return, at -3.4 percent, is a reflection of market conditions; it still outperformed the benchmark of -5.7 percent
- In addition, the total fund's 6.8 percent three-year and 12.3 percent five-year investment returns outperformed the benchmarks for those periods
 - The total fund investment return for the 10-year period ending April 30, 2001 was 11.8 percent

Semi-Annual Investment Report

(continued)

4

- While total returns for the one-year period ending April 30, 2001 were negative, fixed income and real estate continued to provide positive returns:
 - Fixed Income 12.6 percent
 - Real Estate 12.7 percent
- The worst performance was in international equity, at -19.6 percent for the one-year period ending April 30, 2001

Asset/Liability Study Completed

5

- **The Board of Trustees completed its quadrennial asset/liability study:**
 - **The 70 percent equities component of the asset allocation was maintained**
 - **Alternative investments maximum exposure was increased from 15 percent to 20 percent**
 - **Domestic equity minimum exposure was reduced from 45 percent to 40 percent**